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Cooperative Livestock Shipping in Iowa in 1920

AGRICULTURAL EXPERIMENT STATION
IOWA STATE COLLEGE OF AGRICULTURE
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AGRICULTURAL ECONOMICS
SECTION



AMES, IOWA

SUMMARY

A quite remarkable marketing opportunity is presented at the present moment to Iowa livestock producers. Surrounded as the state is by the seven principal livestock markets and with eleven minor packing centers within the state borders or only a short distance outside, this great livestock state faces the challenge of showing itself possessed of the business acumen and organizing ability necessary to distribute the surplus hogs, cattle and sheep to these various markets with the maximum of efficiency and at a minimum of cost and wastage.

The latter part of this bulletin attempts to suggest a few of the features which it seems likely would be found essential in such a marketing mechanism. We cannot demonstrate the success of a cooperative livestock organization so constituted, since no such organization has as yet been perfected and put in operation. This bulletin does not expound what has been done elsewhere, with the admonition that we imitate it. Our need is to become constructive pioneers in a field which is as yet only very scantily explored. We have a need to work out this problem for ourselves and if we do it our work will doubtless become in due time an example to others.

But, while we cannot demonstrate any such comprehensive organization as a whole, its chief parts have gone thru their period of experiment and proof. The various state farmers' grain dealers' associations have already shown the way in which certain essential technical services are most effectively to be provided; cooperative terminal selling agencies in livestock as well as grain and other staples have reasonably demonstrated their feasibility; statewide over-head agencies for co-ordinating the distribution and market equalization of the product of a whole industry, offer us numerous examples of conspicuous success, from the California Fruit Growers' Exchange down. Whether we shall be able to unite these elements and, by the application of the fundamental principles of success in large-scale business organization, markedly improve the selling methods of Iowa livestock, is a question which the year 1921 will go far toward answering.

COOPERATIVE LIVESTOCK SHIPPING IN IOWA IN 1920

By E. G. Nourse and C. W. Hammans¹

According to the best information available, cooperative associations for the shipment of livestock had their beginning, so far as Iowa is concerned, in the year 1904 at Postville, Alamakee county. This date is somewhat earlier than that claimed for the birth of the cooperative livestock shipping movement in the adjacent state of Minnesota and Wisconsin². The facts probably are that beginnings were made in all three states at practically the same time, as part of an organization campaign carried out by the American Society of Equity in the contiguous territory of northeastern Iowa, southeastern Minnesota, and southern or southwestern Wisconsin. At all events the chief growth of the movement in Iowa was for several years limited to the group of counties in the northeast corner of the state, only nine being started in other sections during the first ten years of the movement.

Outside of this limited area, growth was very slow at first, and as late as 1916, twelve years after the association at Postville had begun operation, there were all told only 57 active associations in the whole state, so far as a careful study of the matter can discover. The geographical distribution of these pioneer associations is shown in fig. 1.

Development of cooperative shipping arrangements was somewhat accelerated in the years 1917 and 1918, but it was only in 1919 and 1920 that popular enthusiasm became general and the ambition to have a cooperative shipping association at every shipping point came near to being realized in more than one county. Clayton county, with 18 shipping associations, leads all the counties of the state. Clinton and Story counties come second with 15. Jasper has 14 and Fayette and Hardin have 13 each. Grundy and Ida counties are the only ones that have no cooperative shipping organizations.

Table I shows that 130 associations were formed in 1919 and 311 in 1920, making 610 separate associations in active operation by January 1, 1921. Besides such independent associations or separate livestock departments of farmers' elevators, there

¹The authors are indebted to C. E. Irwin and W. H. McCord who, as assistants on the staff of the Iowa Agricultural Experiment Station, collected a considerable amount of data used in this report.

²Bull. Minnesota Agricultural Experiment Station 146, p. 17, and Bull. Wisconsin Agricultural Experiment Station 314, p. 4. These studies (and also Farmers' Bulletin 718 of the U. S. Department of Agriculture) assign the year 1908 as the beginning of the cooperative livestock movement. It appears, however, that in addition to the fact that some five associations in the state of Iowa antedated the organization at Litchfield, Minn., there was also a much earlier movement which resulted in the establishing of a number of associations of substantially the present form in the states of Kansas and Nebraska as a feature of the earlier farmers' organization movement of the 80's, tho there are only a few survivors from this group.

TABLE I—647 COOPERATIVE ORGANIZATIONS WHICH SHIP LIVESTOCK, CLASSIFIED ACCORDING TO YEAR OF BEGINNING

Year	Number	Year	Number
1904	1	1914	6
1905	2	1915	10
1906	2	1916	9
1907	0	1917	38
1908	1	1918	47
1909	6	1919	130
1910	6	1920	311
1911	3	Date in doubt.....	27
1912	6	Total shipping associations.....	610
1913	5	Farmers' elevators which buy and ship	37 ¹
		Grand Total	647 ²

¹While we were only able to secure definite information on 37 elevators which buy stock outright, the evidence seemed to be clear that there were about twice this number actually engaged in the practice to a greater or less extent.

²Some of these associations ship from more than one station. Our study reveals 57 additional points served by the cooperative associations listed above, thus making over 700 places which have cooperative shipping service.

were 57 shipping points which were served by cooperative associations at nearby towns and some 75 or more farmers' elevators which bought stock outright and sold it as part of their business operations¹.

All told then, there were by the end of 1920 more than 700 towns or villages in Iowa where livestock was being handled by farmers' organizations on some basis more or less perfectly cooperative in character. The figures used in this bulletin cover only associations still in existence at the close of 1920, altho we learned of at least 14 other places where associations had been formed but had later gone out of existence. Doubtless a number of other cases of this sort have occurred. The location of cooperative shippers doing business at the close of 1920 is shown in fig. 2.

SCOPE AND NATURE OF THE PRESENT SURVEY

Early in 1920 the Iowa Agricultural Experiment Station undertook to make a state-wide survey of this cooperative livestock shipping movement for the purpose of learning: (1) the history and growth of the movement, (2) its present magnitude, (3) the future of the organizations and the business methods pursued by them, (4) the achievements in terms of financial saving, more efficient handling, or better market distribution, (5) the difficulties which beset the movement, and (6) the outlook for its future development. It was thought that, after the very rapid growth of the last few years, it might be well to take account of

¹Their livestock operations are mainly limited to the shipping of hogs. In a majority of cases prices paid are so adjusted as to make the business come out even at the end of the year, merely paying the wages of such additional help as may be required, or some suitable fraction of the elevator manager's salary. No case has come to our attention where gains have been prorated directly to shippers of livestock. During the last two or three years quite a number of elevators which formerly bought outright have been displaced by the organization of regular shipping associations among their former patrons, or have formed a livestock department on the cooperative lines followed by such associations.

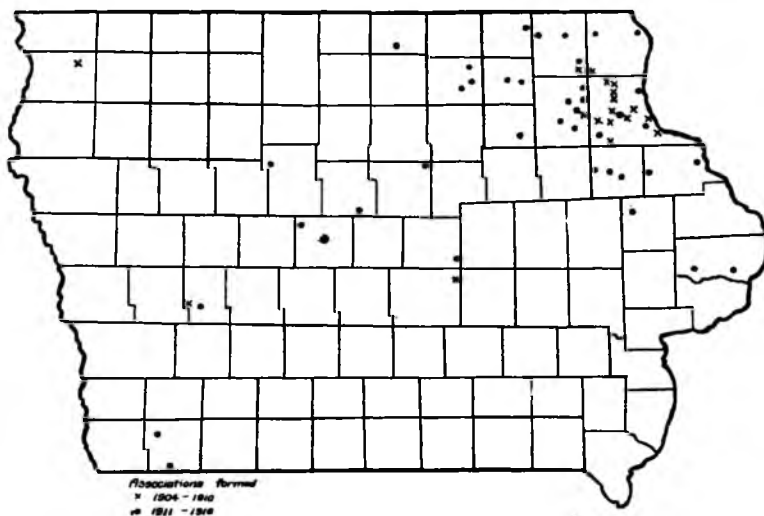


Fig. 1. Iowa's pioneer cooperative shipping began in the northeast corner of the state.

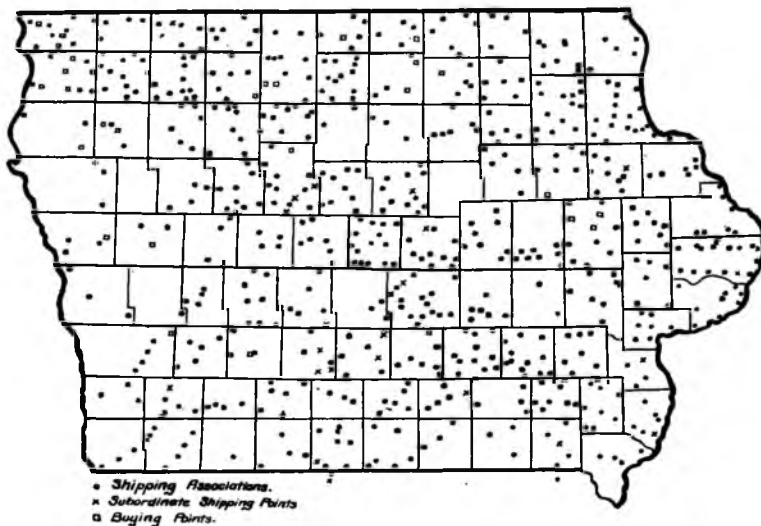


Fig. 2. In 1920 cooperative livestock shipping associations were scattered all over the state.

stock and pool common experience for the benefit particularly of those whose success has been least satisfactory, to the end that future efforts may be directed more uniformly along lines of proven safety and success.

Over a period of about ten months, visits were made in person to over three hundred of the associations, and correspondence was carried on with the others so far as they could be located. Both regular and special reports of county agents and extension specialists were gleaned for data, and every other accessible source of information was searched. No such survey can practically be made absolutely complete, but it is thought that the data presented herewith offer a trustworthy account of the present status of cooperative livestock shipping in Iowa, and it is hoped that it may prove helpful to farmers, cooperative managers and officials, and others interested in the movement.

SIZE OF THE BUSINESS

Taking up first the question of size, it may be said that any definite statement is extremely difficult. Such statements as managers were able to give concerning membership ranged from about 50 to 200 members for each association. In many cases, however, the figure given would be that of the Farmers' Union or Equity or the number of stockholders of the elevator company with which the shipping associations were affiliated. In many cases the manager himself ventured no guess, even, but simply said, "We ship for anyone who wants to put his stock in." It would seem safe to assume that more than half the farmers of the state have at one time or another participated in cooperative livestock shipments. If so, this would give a personnel of over 100,000.

As to the volume of business done in 1920 by the 647 associations shown in table I, the inadequacy of bookkeeping, the frequent change of managers, or other reasons made it impossible to secure complete and accurate figures. The largest two associations report 507 cars and 418 cars, respectively, but associations handling over one hundred cars of stock annually are the exception rather than the rule. Figures secured from 356 associations indicate an average business of 76.9 cars per year. If this could be taken as typical of all the 647 organizations over the state, it would indicate a state figure for the year of 49,754 cars. The business of 342 associations is classified in table II.

ONE-FOURTH OF IOWA'S SHIPMENTS ARE COOPERATIVE

What position cooperative shipping occupies with reference to the total livestock shipments of the state, it is also difficult to say. Such figures as are available would indicate a movement of 181,224 cars of stock from all loading points in the state during

TABLE II—VOLUME OF BUSINESS OF 342 IOWA COOPERATIVE SHIPPING ASSOCIATIONS

Annual shipments	Total cars	Cars hogs	Cars cattle	Cars sheep	Not specified	No. of Assoc'ns	Average volume
Below 50.....	3727	967	176	3	2581	120	31
50-100.....	8771	2770	567	40	5394	127	69
100-200.....	10775	3279	657	51	6788	84	128
200-300.....	2143	705	196	46	1196	9	238
Above 300.....	925	621	242	22	40	2	463
Total.....	26341	8342	1838	162	15999	342	77

1920¹. An estimate of 49,754 cars handled by cooperatives would thus mean that approximately 27½ percent of the business of the year had been handled cooperatively. However, since 311 associations, or practically one-half, began business during this year and thus did not handle shipments for the full twelve months, and presumably shipped in larger quantities during the latter part of the year, it would seem sufficiently conservative to assume that at the close of 1920, farmers' marketing organizations were handling more than one-fourth of all the livestock being shipped from Iowa.

There were fewer definite reports as to the value of stock shipped than as to quantities, but the average value of 2,474 cars definitely reported was \$2,076.74. Fifty thousand cars of this average value would mean a total of \$103,837,000. This would doubtless at least double if the present development were carried thru to its logical conclusion. Even at its present volume, it represents a business considerably larger than that of the world-famous California Fruit Growers' Exchange. The latter business, however, thru 25 years of brilliant and painstaking effort been brought to a high stage of perfection as a modern large-scale business organization. Iowa's cooperative livestock shipping business is still in the early formative stage in most localities.

FORM OF ORGANIZATION

A local shipping association is one of the simplest forms of organization possible. It may be formed in half an hour's time at any meeting of farmers who have stock to ship, by merely electing a board of directors and the ordinary officers, and by establishing a membership on the payment of a fee, which is quite commonly set at only one dollar.

Such an association should give itself legal standing by incorporating under the cooperative law of the state and by sup-

¹According to a special investigation made by the U. S. Bureau of Markets in 1918, the total railroad loadings of livestock in Iowa in that year amounted to 239,741 cars. The shipments of 1920 were, of course, somewhat smaller. Statistics of receipts at the seven principal markets to which Iowa ships show 84.5 percent as large a volume in 1920 as in 1918. Likewise the total loadings include 25,275 cars shipped from Sioux City, which could not properly be considered part of the local shipping business of the state. Taking 84.5 percent of 214,466 cars (239,741 less the Sioux City shipments of 25,275 cars) gives an estimate of 181,224 cars as the total of local shipments for 1920.

plementing its articles of incorporation by adopting a regular set of by-laws. As a matter of fact, a great many so-called co-operative shipping associations fail to observe these formalities, do not incorporate, have no by-laws, and have no formal membership, but handle shipments for anyone who offers his stock.

ADVANTAGES OF INCORPORATION

It should be remembered that the unincorporated association is in law an ordinary co-partnership, each member of which is personally liable for debts incurred by the firm. This is a greater liability than most members of cooperative associations would knowingly care to assume, and can be avoided thru incorporation. Such a step also puts the association in better position to sue for the recovery of railroad claims or for other purposes and in general puts it on a more suitable business footing. Since the incorporation fee for cooperative associations is only five dollars, there seems to be little valid reason for failure to incorporate¹. Replies from 461 associations, however, show only 158 or 34.3 percent to be incorporated bodies, and only 92 of these (20 percent of all which reported) were organized under the cooperative law.

FEES AND OTHER MEMBERSHIP REQUIREMENTS

The other principal point as to the form of the shipping association's organization concerns the relationship between the association and its members. Here, too, conditions are quite loose and indefinite. Some associations have a membership fee specifically for the shipping association, others regard some other organization fee (such as that of the Farmers' Union or Equity Society with which it is affiliated) as covering membership in the shipping association, while a few identify membership with the ownership of stock in the association. This latter practice belongs to associations which buy supplies for their members or perform some similar service in addition to the shipment of livestock.

Table III shows that of 465 associations reporting, 87 have capital stock, 252 have a specific membership fee, and 129 did not report either membership fee or stock holding.

LITTLE DISTINCTION BETWEEN MEMBERS AND NON-MEMBERS

Whatever the nominal form of membership, however, the great majority of shipping associations in practice make little

¹This does not take account of the fees of a lawyer in case one is hired to handle the details of incorporation, which is not at all necessary, provided the organizers are reasonably well informed. Nor does it include the cost of publication of notice of incorporation. It would perhaps be unduly burdensome upon both the organizers and the office of the secretary of state if all the small local associations were formally to incorporate. As will appear later, it is our belief that these and other benefits can be secured more fully and more cheaply by consolidating the business in the hands of a smaller number of associations, each of which will handle the shipping from an area large enough to justify a permanent and completely developed business organization.

TABLE III—MEMBERSHIP FEES AND CAPITAL STOCK OF IOWA COOPERATIVE LIVESTOCK SHIPPING ASSOCIATIONS

Membership Fee		Capital Stock	
Amount	No. of Associations	Amount	No. of Associations
\$.25	1	\$ 350- 500	3
.50	7	1,000- 2,000	4
1.00*	148	3,000- 5,000	14
1.50	1	8,000-10,000†	23
2.00	22	11,000-15,000	4
2.25	1	16,000-20,000	4
2.50	13	21,000-25,000	14
3.00	29	30,000	5
3.25	1	32,000-40,000	3
3.50	4	50,000	8
4.00	2	75,000	3
5.00	21	100,000	2
6.00	1		
10.00	1		
Total	252	Total	87

* The one dollar fee above is, in most cases at least, a life membership fee, regarded by the secretary of state as the equivalent of capital stock for associations formed under the old cooperative law. A few of the larger membership fees are of the same character, but in more cases they represent annual dues to some farmers' organization of which the shipping work is an adjunct.

† In the case of associations having \$10,000 or more of capital stock, it is pretty safe to assume that the livestock shipping is relatively a minor feature, the large capital being required for elevator, store, or similar purposes. Possibly this is also true even in the case of associations having from \$3,000 to \$10,000 of capital stock.

or no distinction between members and non-members, but accept stock from anyone who desires to utilize their facilities. Not infrequently in the case of non-members, the charge for the service is higher than for member (see p. 417). Likewise, no definite provision is made for securing all of the member's business for the association. He is ordinarily free to ship thru any outside agency, should he see fit. This indefiniteness of membership, and consequent lack of control over the product which it handles, is one of the greatest weaknesses of the present type of organization, and is discussed further (p. 428). Because of such conditions, the volume of business which an association will have is ordinarily not predictable with any great degree of accuracy. One hundred and eight associations reported that they seek to avoid this difficulty by requiring some payment by the member in case of non-delivery of stock. This generally takes the form of requiring anyone who has listed stock for shipment to pay his share of the freight, in case a car has to be billed out with less than the minimum weight owing to his failure to deliver.

In many cases the livestock shipping association is an entirely independent and separate organization, but often it is a department of a more general cooperative association or exchange which does a store business, buys farm specialties, or runs an elevator, as well as shipping livestock. Table IV presents a classification of 458 associations with reference to this phase of their organization.

TABLE IV—FARM SUPPLY BUSINESS HANDLED BY SHIPPING ASSOCIATIONS

Other lines of business carried on by shipping associations		Number of associations handling specified products	
Kind of business	No. of assoc'ns	Article	No. of assoc'ns
Feed only	2	Feed	41
Feed and other supplies	39	Coal	31
Grain only	3	Grain	21
Grain and other supplies	8	Supplies	20
Supplies	16	Flour	13
Supplies and lumber	1	Twine	12
Coal	4	Salt	9
Coal and other things	4	Lumber	6
General store	2	Seeds	6
Produce chiefly	1	General merchandise	6
Thru elevator	6	Fencing	3
Thru county agent	1	Store	2
Thru Farmers' Union	1	Tile	2
Twine	1	Wire	2
Twine, fencing, tile	1	Produce	2
Tankage and twine	1	Tankage	2
Wool	1	Posts	1
Not specified*	92	Groceries	1
Total associations handling other lines	184	Oils	1
Question not answered	88	Gravel	1
No other business	186	Hay	1
Total	458	Wool	1

*Including 11 intending to handle various side lines but who had not actually done so at the time they were interviewed.

METHODS OF OPERATION

Perhaps the most important question on which light is thrown by this study is that of the methods followed in the management of the shipping associations' business. Most of these associations are loosely organized, and participation in management or control by members or directors is often practically negligible. Where the shipping work is under the wing of an elevator association or other parent organization, regular meetings, formal reports, and directors who direct are the rule.

But with a great many of the newer and more casual organizations, practically the whole work of management is turned over to a hired manager. He attends to the listing of stock; the notification of prospective shippers as to the shipping date; the securing of cars; weighing, marking, loading, and billing out the shipment; and, in most cases, the distribution of proceeds.

In some cases, however, where the manager feels competent to handle hogs and cattle, but not to deal with figures, clerical work and the disbursing of all funds is attended to by the secretary, and in some cases this work is done by the local bank, to which the commission firm remits direct. This may be a convenient and helpful arrangement in most cases, but sometimes has involved the shipping association in bank rivalries. This has even gone to the point where officers of a rival bank have promoted the organization of a new shipping association in order to secure the business for themselves.

Five principal points are to be covered in connection with the business methods of shipping associations: (1) marking or grading of stock, (2) prorating expenses and accounting methods, (3) choice of market, (4) payment of manager, (5) insurance of stock.

MARKING OR GRADING OF LIVESTOCK

Distinctive marking of each consignor's animals and individual returns upon each mark may be said to have been the foundation stone upon which cooperative shipping associations have been built. Reports from 456 associations show that 359 give individual marks and expect separate handling of each marked lot according to the weight, grade, shrink, and price of each animal or uniform group composing it, the transportation and selling expense to be prorated according to the weight of each. In practice, however, it has become impracticable to give this individual attention to all the small lots which make up the large volume of cooperative shipments now coming to the big terminal stockyards. The local packers and packers' buyers almost universally refuse to handle shipments on this basis. Hence, a noticeable amount of grading or sorting is done at local stations, particularly in the case of the older or larger associations. Sixty-nine managers reported local grading. While many of them did not specify that this practice was limited to hog shipments, this is undoubtedly the fact in nearly all cases.

The association which handles from two to five carlots on a single shipping date is in a favorable position to sort uniform carlots such as can be handled with the least trouble and with the best results at the terminal market. Likewise, in the case of an association which is relatively old and well established, whose members are accustomed to deal together and who have confidence in their manager, there is less insistence that each man's stock be identified at the terminal for a separate accounting.

In practice, only two things are necessary for the successful working of such a system, viz., a capable and impartial manager, and members who are true cooperators. This last requirement means that (1) the shippers shall ship regularly thru the association, so that any slight error in sorting would average out over a series of shipments, (2) that they shall have the cooperative point of view, so that they will be ready to accept that method of doing business which results in greatest economy and best results for all, and (3) all shippers must be so loyal to the organization and their fellow members that they will give their stock proper treatment prior to shipment, rather than stuffing, salting, or using other devices for securing a fraudulent home weight or an excessive fill at the market. It may be said to the credit of Iowa farmers that only 75 managers reported

any trouble on this latter score. Where they do encounter it they generally give special instructions to the commission firm for the weighing of such a lot separately so that other shippers may not suffer from the trickery of one member.

For such reasons, the separate marking of all cooperative shipments is in the majority of cases still advisable, but it is extremely doubtful if the most satisfactory results can be secured by requiring the weighing, yarding, and selling of such lots separately at the terminal market. The time consumed in such a process often prevents stock from getting on the early market, which generally lessens the chances of making the most advantageous sale. Likewise the extra handling involves needless shrink, particularly in hot weather. Furthermore, if the lots are very small, there is considerable danger of loss in registered weight whenever weighing is done rapidly on large scales which "break" at ten pounds.

It appears that commission men follow three general practices in handling cooperative shipments, as follows:

1. Make individual weights of cattle according to grade and mark and generally also for hogs and other stock if definitely instructed to do so by the local manager. The stock is then sold in lots according to grade at a flat price and weighed for marks.

2. The cooperative carload of hogs will have the packing sows and other off-grade hogs sorted off to be sold separately and weighed for marks. The grade which remains as the bulk of the carload is sold as a unit at a flat price and weighed as one lot, the shrink being prorated uniformly on the basis of home weights. If there is appreciable difference in weight of the different hogs in the load and a fairly wide spread in market prices between the different weights, adjustment between the several owners will be made on the account sales in conformity with this difference in market value. Sheep, lambs, and calves are usually sold at a price, with specified numbers culled out and sold at a lower price and weighed according to marks.

3. Some commission firms assert that they get maximum results with minimum delay, shrink, etc., by selling cars of hogs as straight loads, even tho there may be considerable variation in grade. Settlement then becomes a matter of judgment either by the commission house or the local manager, to determine and adjust the price of the different lots according to the prices for different grades prevailing on the day of sale. Shrink must also be prorated uniformly on the basis of home weights or else adjusted according to the character of different lots on the judgment of the local manager or the commission company. If the stock is individually marked, any specific dockage can be deducted from the animals actually so docked at the terminal

stockyards. If the manager does home grading, he must check his dockages against those made at the market and adjust any discrepancies as best he can.

PRORATING EXPENSE AND ACCOUNTING METHODS

The various markets charge excess fees for cooperative shipments, running from \$2 for cars having not more than ten owners, up to \$6 for cars with over 20 owners represented. Owing to this charge and the frequent inaccuracies in the adjustment of accounts in the terminal market, it would probably prove more satisfactory to have this work done at home eventually. Some of the better qualified managers already do it. All told, 72 associations reported prorating at home, as compared with 337 who left prorating to their commission firm. In the main, however, such a change can hardly be looked for until local managers have enlarged the size of their business unit and have installed regular business systems for handling the necessary office work.

At the present time there is no uniformity in this regard. Some managers leave the whole matter to the commission firm, do not check their returns, and preserve no record of shipments after settlement for a given carload has been made by the check of the commission firm. Some turn this detail over to the local bank. Perhaps a majority keep a reasonably complete and accurate record in some sort of account book of their own devising. The small number of associations which are allied with elevators probably achieve (when the latter is a large and well managed concern) the best level of accounting practice. But there is no uniformity even here, and in fact further investigations will have to be made before the simplest and best system of accounting for use in such associations can be made available. Both the Bureau of Markets of the U. S. Department of Agriculture, and the Agricultural Department of Iowa State College have worked on the problem, and it is expected that definite recommendations will be forthcoming very shortly.

CHOICE OF A MARKET

As to the choice of a market outlet, the shipping associations of Iowa occupy a strikingly favorable position. The state is practically surrounded by the chief stockyard markets and has within its borders or within a short distance outside, some ten local packing plants and about an equal number of packer buyers' concentration points or re-load stations.

The market distribution of stock is determined on the basis of (1) transportation rates and service, (2) competitive prices in the different local and central markets, and (3) personal acquaintances or preferences of the manager, who not infrequently had developed a trade connection before he undertook his

present position, or has developed such a connection since, or has failed to gain access to certain markets which he believes to be desirable. On this last score it may be said that certain of the local markets are regarded by many managers as desirable but they have not been able to establish a connection. This has been due either to the refusal of the local plant to handle stock other than as straight carloads or to their unwillingness to sever relations already existing with private local buyers. It cannot be wondered at that both local packers and concentration buyers should hesitate to sever one connection until it is reasonably clear that the new shippers are in a position to furnish them a permanent supply of stock of the kind they need and handled as they need to have it.

On the other hand, many cooperative managers and their shippers feel that the practice of their local markets, both on prices and as to weight and fill, is less satisfactory than the terminal stockyards. Added to this is a considerable sentiment that the re-load station is an insidious device of the big packers to substitute country buying for the open market now maintained at terminal stockyards. Such an argument is somewhat weakened by the fact that of the stock bought at the re-load stations only a very small proportion goes to packing houses at the big stockyard markets. Nevertheless, the whole question of our local markets for livestock needs detailed study and the Iowa Agricultural Experiment Station will begin such an undertaking shortly.

As for the big terminal markets, Iowa lies almost wholly within the Chicago zone. The replies of cooperative managers show that the bulk of shipments move to Chicago from all but the extreme western tier of counties at the north, and from all but the two western tiers as we go south, until we reach the southwest corner, from which the bulk of the business goes to St. Joseph or to Omaha, with lesser fractions drawn off to Kansas City and a local plant at Nebraska City. At the north, St. Paul draws stock from only three cooperative shippers, but in the northwest Sioux City draws from a considerable territory. At the southeast, St. Louis also is a keen competitor of Chicago to the east and St. Joseph to the west. At one place in southern Iowa four terminal market zones overlap and two local packing plants and at least one re-load station lie within reach. In such competitive areas the manager's task is to follow the various markets and consign to the one which is more promising at the moment. Fig. 3 shows the principal market zones.

PAYMENT OF THE MANAGER

The general principle upon which the pay of managers is based, is that of a commission upon business done. This is computed on either a hundredweight, per head, or per car basis, or

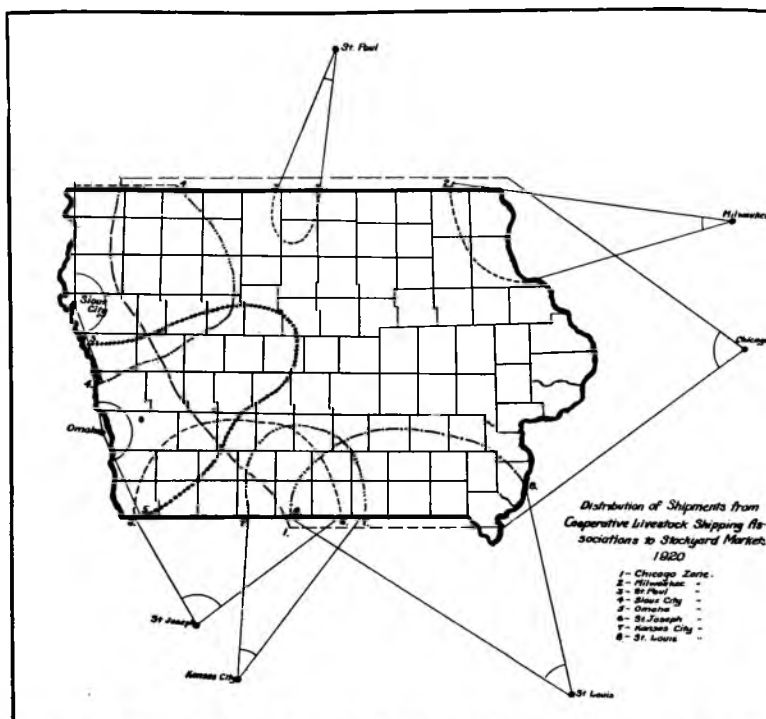


Fig 3. The 1920 distribution of cooperative livestock shipments to various markets.

as a percentage of the receipts from the shipment. The first method is decidedly the most popular, as will be seen from table V. A limited number of associations pay their manager a straight salary.

There is considerable variation in the rates under each of the different methods used. Table VI shows a range from 21½ to 13 cents a hundredweight on hogs, from 2 to 10 cents a hundredweight on cattle and from 5 to 10 cents on sheep. However, a majority of the newer associations have adopted a charge of 6 cents a hundredweight on hogs, frequently making the rate on cattle somewhat less, owing to the smaller amount of work in handling a carload.

TABLE V—ASSOCIATIONS CLASSIFIED ACCORDING TO METHODS OF PAYING MANAGER

	Number of associations	Percentage of all associations
Per hundredweight	296	73.8
Per head	44	11.0
Per car	30	7.5
Percentage	9	2.2
Salary	22	5.5
Total.....	401	100.0

TABLE VI—NUMBER OF ASSOCIATIONS REPORTING VARIOUS SHIPPING RATES ON HUNDREDWEIGHT BASIS—TOTAL REPORTING, 296

	2c	2½c	3c	4c	4½c	5c	6c	6½c	7c	7½c	8c	9c	10c	11c	12c	13c
Hogs	2	11	16	1	57	96*	1	46†	1	29	1	32	1	2	1	
Cattle	2	..	3	10	..	15	8	..	3	1	3	..	2	..	..	..
Sheep .....	..	..	..	..	..	1	6	..	..	..	2	..	2	..	2	..
Horses .....	..	..	..	2	..	..	..	..	..	..	..	..	..	..	..	..

*Including three associations which charge this rate on first car. Two of them charge \$5 for each additional car shipped on same day, the other charges \$2.

†Including two associations using 7 and 10 cents respectively for first car and \$5 for additional cars.

It appears from table V that 11 percent of the associations pay their manager on a per head basis. The various rates charged under this plan are classified in table VII, showing that rates of 10 cents per head on hogs and sheep and 2 cents per head on cattle are emphatically the most common, altho a few associations run up to double these rates or down to one-half in the case of hogs or two-fifths these rates in the case of cattle and sheep. There seems also to be a certain disparity between these rates and those on the hundredweight basis. For instance, the markedly prevalent per head charge on hogs is 10 cents, whereas the most common per hundred charge is 6 cents. To be equivalent, this would call for an average weight of only 166 pounds per head. Similarly, the leading rate on cattle (25 cents per head) would imply only an average weight of 500 pounds per head on the basis of the most common hundredweight charge shown in table VI, viz., 5 cents. In other words, it would seem that per head charges are relatively lower than those on a hundredweight basis.

TABLE VII—NUMBER OF ASSOCIATIONS REPORTING VARIOUS SHIPPING RATES ON PER HEAD BASIS—TOTAL REPORTING, 44

	4c	5c	6c	10c	11c	13c	15c	20c	25c	30c	37½c	50c
Hogs .....	..	1	1	31	..	1	5	1	..	..	..	..
Cattle .....	..	..	..	1	..	..	4	3	19	6	1	3
Sheep	1	1	2	13	..	..	1	1	..	..	..	..

As for rates stated on a per car basis, these range from \$6 to \$10, with a marked preference for the latter rate. This would correspond very well with the shipping charge on a 17,000 pound car of hogs at 6 cents per hundredweight, which figures \$10.20. It would take forty head of cattle at 25 cents per head or one hundred hogs or sheep at 10 cents to equal this rate¹.

Most associations charge a lower rate when shipping a whole carload for a single owner. This is practically necessary if they are to attract business, and such a discount is only proper in view of the smaller amount of labor involved in such a shipment. Owing to the large amount of carlot feeding done in this state, a considerable volume of business is involved in this connection, and the associations are very anxious to secure and retain it as

¹Charging a percentage of the receipts was mentioned above as one of the methods of assessing the shipping charge. Of ten associations using this method, two charge half of one per cent, one charges three-quarters of a per cent, five charge one per cent, and two charge one and one-half percent.

TABLE VIII—NUMBER OF ASSOCIATIONS REPORTING VARIOUS SHIPPING RATES ON PER CAR BASIS—TOTAL REPORTING, 30

	\$3	\$4	\$5	\$6	\$6½	\$7½	\$8	\$9	\$10	\$10½	\$12½	\$15	\$16	\$20	\$25
Hogs ...	1	..	1	2	2	3	3	1	11*	1†	1‡	1	1	1	1†
Cattle ..	..	..	..	..	..	..	..	..	1	..	..	..	..	..	..
Sheep ..	..	..	..	..	..	..	..	..	1	..	..	..	..	..	..

*Including one association which charges \$10 for the first car and \$5 for additional cars.

†This rate for the first car, \$2.50 for additional cars.

‡This rate for the first car, \$10.50 for additional cars.

a means of strengthening their associations and increasing the value of their patronage to terminal market commission concerns. In fact, a few associations go so far as to handle such straight carlots without any commission. (Table IX)

Twenty-three associations reported that they charged higher rates to non-members than to members. Of these, three associations charged rates one-fourth larger than those paid by members, one reported rates one-third higher, one charged one-half more, four charged three-fifths more, one two-sevenths more to non-members, three a rate two-thirds greater, and ten associations charged non-members a rate double that which was paid by members. Where a one dollar fee will purchase life membership in the association, such excess charges would seem calculated to make everyone who has any appreciable amount of stock to ship, become a nominal member of the association. In view of the fact that such membership does not obligate one to ship thru the association in the future, such a provision means little except in the case where the shipping association is affiliated with some other farmers' organization, membership in which is on a different basis.

Undoubtedly some variation in handling charges is justified by various local conditions, such as the necessity of shipping on Sunday or at night, or by the greater or less amount of clerical service, prorating, etc., done by the manager, but it is to be hoped that rates for substantially similar services may be made more uniform as the cooperative shipping movement becomes better organized. The larger the association, the better the chance of lowering the rate per hundredweight, while at the same time giving the manager an attractive income. Several of the larger associations pay only three or four cents per hundredweight and others pay a straight salary which amounts to this rate or less. This feature of the matter is discussed further on p. 430.

TABLE IX—NUMBER OF ASSOCIATIONS REPORTING VARIOUS SHIPPING RATES ON CARS HAVING A SINGLE OWNER—TOTAL REPORTING, 24

	2c cwt.	2c cwt. +\$2	2½c	3c cwt.	4c cwt.	\$5 a car	\$12 a car
Hogs	1	1	1	12	4	5	1
Cattle .....	..	..	..	1	2	..	..
Sheep .....	..	..	..	..	1	..	..

INSURANCE OF LIVESTOCK

The majority of cooperative shipping associations provide for the insurance of the shipper's stock by making a small deduction from the market receipts upon each shipment, from which a sinking fund is accumulated for the payment of losses as they occur¹. The rate of this charge varies quite widely, as is shown in the following table, but charges of three to five cents a hundredweight are the most common. The practice of a few associations in charging a fixed percentage of the value of the stock is to be commended, as it causes the charge to adjust itself automatically to the constant changes in the value of stock for which settlement must be made from time to time. One-half of one percent will probably be found somewhere near the proper rate, but local adjustments should be made with care at each shipping point, according to distance from market, the character of train service, and the kind of stock shipped. The percentage method permits of the closest adjustment to every condition. The rate of one-half of one percent means 50 cents per hundred dollars of receipts, and this can be raised or lowered a cent at a time till the correct rate is secured.

In practice it is best to make the rate fairly high at first in order to accumulate an ample fund for taking care of any exceptionally heavy losses such as may occur at any time. This possibility of a large loss should be kept clearly in mind by cooperative associations, for the records show that four associations suffered single losses running from \$800 to \$3,000 each. Likewise, out of 182 associations furnishing data on this point, 15 had losses which exceeded their sinking fund collections by amounts ranging from \$10 to \$426 each. Only three of them exceeded \$300 and all of them were soon taken care of from regular insurance fee collections. In the case of the \$3,000 loss, an assessment of \$10 was levied on each member². These facts alone would not discredit the sinking fund plan of providing insurance for cooperative shipments of livestock.

Taking the associations as a whole, their collections furnished full protection to their members and left a substantial surplus. One hundred and eighty-two associations which reported the rates in table X collected \$93,048.18, whereas their net losses were only \$49,255.59. This would mean that the actual cost to

¹This fund is generally drawn upon also to pay any other minor expenses such as stationery, printing of bylaws, etc., and, in a few cases, even substantial purchases of equipment, such as scales. From the accounting and business management point of view, this is very bad practice. An insurance fund should be kept intact for the meeting of losses as they occur. The handling charge should be made large enough to meet small operating costs as well as the payment of the manager, unless an annual membership fee provides for the former class of expenses.

²One other association had a loss of about \$4000 which necessitated an assessment of \$30 each on members. This, however, was due to the failure of a commission firm to whom two cars of stock had been shipped and so would not be covered by transit insurance.

TABLE X—INSURANCE RATES FOR LIVESTOCK SHIPMENTS

Per hundredweight															
	1c	2c	3c	3½c	4c	5c	6c	6½c	7c	8c	9c	10c	12c	15c	20c
Hogs	1	16	42	4	44	57	17	1	8	9	2	18	2	3	1
Cattle	..	17	21	..	12	6	1	..	2	..	..	4	1	1	..
Sheep	..	3	3	..	4	5	2	..	..	..	..	1	..	..	..
Per head															
	5c	10c	11c	12c	13c	15c	20c	25c	50c						
Hogs	1	3	1	1	1	5	1	..	..				
Cattle	..	1	..	..	..	..	1	7	1						
Sheep	..	1	..	..	..	..	..	..	..
Percent of value															
	25%	5%	6%	1%	3%	4%	8%								
Hogs	3	30	3	4	2	1	..								
Cattle	..	1	..	..	..	1	..								
Sheep	..	..	..	..	..	..	1								
Losses prorated on each car												6			
Insured in commercial company												63			
No provision for insurance												60			

shippers was only about half the rates charged (as per table X) and covered into the sinking fund. Of course these figures do not cover a large enough body of experience to be taken as conclusive, but so far as they go they reflect favorably upon the practice of cooperatives in carrying their own insurances.

Sixty-three of the associations reported in table X, or 15.3 percent, carry insurance in commercial companies. This same percentage of 647 associations would give 99 as the total number carrying commercial insurance policies in the state. This corresponds exactly with the claims of the commercial insurance people, who, however, assert that the number is steadily growing. This would be natural with the coming of new associations into the field. Whether or not there has been a shifting from the sinking fund to the commercial insurance plan, it would be impossible to say without making a re-survey at a later date. In Michigan the state federation of cooperative shipping associations recently decided to cover all its member associations by a blanket policy with a commercial company. The livestock business of the United Grain Growers of Canada follows the same practice. The largest association in Iowa (and probably in the United States) carries commercial insurance, and such others as carry it seem well satisfied with the results.

The question of relative cost and the risk of large single losses (referred to above) constitute the chief tests of relative merit between the two plans. During the year 1920 commercial insurance rates ran 11, 14 and 15 cents per head on hogs and 17, 20 and 25 cents per head on cattle in the three zones respectively (that is, traveling up to 150 miles, 151 to 350 miles and 351 up to 750 miles). Owing to the decline in livestock values, these rates were lowered on January 1, 1921, to 9, 11 and 12 cents on hogs and 15, 17 and 20 cents on cattle.

These commercial rates are fairly comparable to the most common sinking fund charges, working out on the average a

little lower, but not covering precisely the same risk. The commercial policy is merely "transit" insurance, whereas cooperative sinking fund insurance covers all losses from delivery at the local shipping point till sale at the terminal market. In practice, of course, losses in the local yards before the transit policy begins to cover are not frequent or large, and the commercial insurance settlements tend to be quite generous in their covering of losses at the terminal yards, when such losses seem due to conditions which arose during transit. Furthermore, commercial companies limit their liability in the case of overloaded cars, as, for instance, not assuming responsibility for losses on a 36-foot car loaded in excess of 19,000 pounds. This, instead of being a hardship, may well be looked upon as a desirable precaution to reduce losses from over-crowding and exerting some pressure on the associations to improve their practice in this regard.

Every manager and director should give careful study to this question of insurance, in order to get the fullest protection at the lowest possible net cost. The sinking fund plan carries out the fundamental spirit of cooperative business, but if left to small, inexpertly managed associations is likely to give rise to more or less uncertainty and possible embarrassment, which could be avoided thru the carrying of regular transit insurance in an established commercial company. If the cooperative associations are to continue the insurance of livestock shipments, the work should be both standardized and centralized. It should be studied closely with a view to making charges conform to actual risks, and definite effort should be directed toward the reduction of risks by improving methods of handling stock, cleaning and bedding cars, and the like. A better ratio of claim collection could also be brought about. Statistics from 182 associations show 169 losses totalling \$54,930.21 and thirty collections amounting to only \$5,674.62 or 10.3 percent. This should be noticeably increased as soon as the cooperative shippers are properly organized for the presenting and following up of these claims, tho, of course, the present financial conditions of the railroads makes this an unfavorable time to attempt to secure striking results.

ACHIEVEMENTS OF THE COOPERATIVE SHIPPING MOVEMENT

Having examined the manner in which Iowa's livestock shipping associations are organized and how they carry on their business, the questions naturally arise: What practical results have they accomplished? What benefits do they bring to the farmer?

Perhaps the best way to approach these questions is by asking what it was that farmers hoped to achieve by organizing for the joint shipment of their stock. To this there is only one answer. There was a widespread feeling that the margins taken by the private local buyers were too large, and hence that producers would make a great financial saving by "cutting out the local buyer" thru the setting up of cooperative shipping associations. This may readily be seen from the answers to the question, "Why was your association started?" which was asked of managers or others who gave the reports tabulated in the present survey. Ninety-four percent of all replies represent merely some variation of the single reason, "Local buyer taking too big a margin." When asked how large this was, the estimates given ranged in the majority of cases from \$1.50 to \$2.00 per hundredweight. Or perhaps the query might be answered by citing cases where the private buyer had offered a price for a veal calf or a canner cow which was only 50 or 60 percent of what it actually netted the owner when subsequently consigned to the market in a cooperative shipment. In ten cases it was indicated that the shipping association was started because there was no private buyer at the given point.

ECONOMY THRU ELIMINATION OF PRIVATE LOCAL BUYERS

The private buyer, if given a hearing, insists that his margins do not amount to \$1.50 or \$2.00 by any means, if the average of his good luck and his bad luck be taken over any reasonable period of time. Obviously conditions differ widely from place to place, and occasionally a place is found where the service rendered by the local buyer is so evidently good and his returns so evidently moderate that even the farmers who furnish the stock do not have any notion that they could better conditions by taking the business over for themselves. Eleven associations replied that they were organized because of the general enthusiasm for cooperative marketing and failed to cite any particular local condition which they sought to better. At quite a number of places, too, where the feeling was that the buyer's returns were quite likely no more than what was needed to give him a fair return, the argument was to the effect that too many men were being supported from the business. In such cases the cooperative movement represents a consolidation in the interest of economy as well as giving the farmers a feeling of control over their business.

A striking case of the reduction in the number of middlemen occurs at a certain town where seven local buyers divided the business and several of them at least appeared to be making a pretty good thing of it. The volume of business is about 400 cars a year and at present a cooperative manager handles about three-

fourths of this business and could handle the whole of it, at a comfortable saving to the shippers. In response to inquiry as to how many local buyers had been displaced, 456 associations reported 364 such eliminations at 175 shipping points. Many of the men doubtless had devoted only part of their time to the business as a side line. Likewise, it appears that the private shipping business reported to be dead at certain points in 1920, shows distinct signs of revival during the early months of 1921.

Another valid criticism of the private buyer system, (whether or not it was clearly understood in all cases by the farmer himself) has lain in the fact that the price which the terminal market pays has often not been equitably distributed among the producers of the various animals sold. The tendency has been too much in the direction of substantially uniform prices, which have failed to reflect actual market differences in value, thus depriving the producer of the better stock of the premium he should rightfully secure, and failing to check the continued production of stock of inferior quality, by showing just how much the market discounts such animals.

Likewise, it has frequently become apparent that where competition has forced the price close to terminal market values, so far as certain classes of animals or certain shipping points are concerned, there has been a disproportionate spread on other classes of stock or at non-competitive points. Hence the slogan of cooperative shipping has been that "it makes it possible for every man to get just what his own stuff brings at the market, less actual expenses." To approach closer to this condition has been a real achievement of the cooperative method of shipping even up to the present time. However, we cannot ignore the fact that already there has been a tendency thru insisting on the handling of stock by individual marks to increase the expense and retard the rate of marketing so that, even if distribution of proceeds has become better, the total amount to be distributed is in danger of becoming less.

Likewise, at some points the cost of doing the business is enhanced by the call upon the manager to perform a large amount of work of which the members of a truly cooperative association should relieve him. For example, it sometimes develops that if he is going to secure and retain a volume of business sufficient to make a success of the association, he must drive up and down the country soliciting business and competing with other shippers in just the way the local buyer does, thereby necessitating a wide margin to pay him for his work. The truly cooperative organization eliminates such typical middlemen activities and hence eliminates their cost by assembling the shipments of its producer members and carrying their marketing risks. If the producers cannot effect a real economy of effort in the marketing

of their stock thru cooperative agencies or definitely improve the service rendered to shippers, it is not to be supposed that the movement will become permanent.

FARMER CONTROL OF FARMER BUSINESS

At some points it is frankly admitted that the chief motive was not financial saving, that no acute or general dissatisfaction existed with the local buyer "but the boys thought they wanted to have their business in their own hands." Both this motive of greater control over the business and the more immediate and concrete motive of money saving are desirable and proper goals of the cooperative movement and we should seek to find just how much is being accomplished toward reaching them.

AMOUNT OF SAVINGS EFFECTED

The estimates of saving furnished by different associations varied a good deal, but tended to indicate that managers generally claimed to be saving from 50 cents to \$1.25 or \$1.50 a hundred to their members or patrons. Investigation seems to show that actual savings of \$1.00 a hundred over a period long enough to yield a trustworthy average are very rare and that net gains of from 20 cents to 75 cents a hundredweight would rule with the majority of successful shipping associations. This seems to be the experience in other states also.¹

Probably the net gain in the year 1920 with its fluctuating livestock prices did not exceed 35 cents a hundred on the average, but even this modest sum means about \$55.00 per car, or a total of \$2,736,470 on the 49,754 cars estimated to have been shipped cooperatively in 1920.

As to the matter of control, it is even harder to judge what has been achieved. Producers' associations have actually taken a great volume of shipping business into their own hands. Any estimate of the value of this performance rests on whether the associations have so organized the business as to retain this control and make of it a permanent and constructive force in the market distribution of their stock, in the stabilization of prices, or other notable movements toward increasing the economy or efficiency of livestock marketing in the larger sense. Our views

¹"Estimates from managers of 150 associations placed the saving at from 20 cents to \$2.50 a hundred-weight and from \$15 to \$250 a car. The great majority of estimates lie between \$50 and \$150 a car." Bulletin 134, Wisconsin Experiment Station, p. 6.

"Where local buyers have probably been taking from \$40 to \$75 a car for home expenses and profits, the associations are doing it for \$16.50. Where buyers have been demanding margins of from 60 cents to \$1 per hundred, the associations are doing the business for 29 cents per hundred." Bulletin 184, Minnesota Experiment Station, p. 34.

"The average cost of marketing stock in this association for 1913 and 1914 was 33 cents per 100 pounds. This latter figure is said by farmers to be from 10 to 40 cents per hundredweight below the margin on which local buyers formerly purchased stock from farmers. Assuming the local buyer's margin to be 50 cents per hundredweight, a very conservative estimate, the association at Litchfield, Minn., saved the shippers \$6,221.15 during the year 1914." Farmers' Bulletin 718, p. 14.

on these points will be stated in connection with the following discussion of difficulties encountered and prospects for the co-operative shipping movement.

DIFFICULTIES ENCOUNTERED

Special inquiry was made of all shipping managers or officers as to difficulties which had hindered the establishment or growth of their association. These replies, supplemented by the observations of the writers and many other students of the movement, indicate that the difficulties of the cooperative livestock shippers fall under four heads: (1) opposition by local business men or other organizations, (2) difficulties in getting service from the railroads or from the markets, (3) troubles within their own ranks, due to the insecurity of their hold over members or control of an adequate volume of stock, and (4) difficulty in securing competent and permanent managers and establishing suitable business system in their organizations.

OPPOSITION FROM OTHER INTERESTS

In general it may be said that there has been very little specific opposition to the cooperative livestock shipping movement, much less than there was in connection with the establishing of farmers' elevators. In a few cases, where the local buyer was also a merchant in the town or otherwise identified closely with other business interests, there has been some tendency to discourage the establishment of cooperative associations. However, only 106 out of a total of 408 associations reported any difficulties of this sort. As already indicated, (p. 410), local bankers have sometimes meddled in the affairs of the farmers' shipping organizations, but this has been for the purpose of securing their business rather than with the intention of discouraging cooperative shipping. In some cases, to be sure, the local buyer has used his personal friendship with the railway station agent to secure rather better shipping facilities or discrimination in the allotment of cars. Fifty-nine managers complained of such discriminatory practices.

UNSATISFACTORY RAILROAD SERVICE

Quite possibly some of these complaints are really due to car shortage, which perhaps was inevitable during the period under investigation, but which has now practically disappeared. The most serious complaint against the railroads appears to have been in the matter of inadequate stockyards facilities and in the unsatisfactory character of train schedules, as to total time consumed, hour of arrival at terminal markets, and failure of different roads to adjust their schedules so as to make good con-

nections at junction points. The most outstanding controversy between the cooperative shippers and the railroads arose in connection with the sale of railroad scales to private individuals, which began in 1919 and proceeded quite rapidly in some sections in the early part of 1920. Thirty-two associations reported trouble of this sort.

Complaint was made to the Iowa Farm Bureau Federation and thru the American Farm Bureau Federation was carried to the Railroad Administration at Washington, with the result that the sale of scales was stopped and that in a few cases they were bought back by the offending roads. In some cases, however, they had already been removed from the stockyard site and in other cases had passed into the hands of private livestock buyers.

In addition to this it would doubtless be proved true, if careful investigations were made, that many of the local railroad scales are in bad order and hence the home weights are quite inaccurate. This, where true, is probably a more serious matter for those farmers who are selling to private buyers at these points and being paid on the basis of weights taken on these defective scales. Even for the cooperators, however, such a situation would make it difficult for them to check up on the matter of shrink, which is one of the most important items to be watched.

In a few cases cooperative associations have acquired a site from railroads and installed a scale house and sometimes pens of their own. It is obviously unjust that they should be required to go to this expense at certain points, whereas railroads at other shipping points are furnishing such facilities gratis to their patrons. Inasmuch, however, as the railroad commissions have ruled that scales for weighing stock are not a part of the transportation facilities which the railroads are required to furnish, there seems to be little prospect of relief except thru the voluntary action of the roads.

This is not true in the case of other facilities, such as spur tracks, loading chutes and pens and their accompanying facilities. During the period of the war such railroad properties suffered a good deal of neglect and in 1920, 49 managers were complaining that the pens were insufficient in size or were without the necessary protection from sun and weather, lacked water or feeding racks, had no facilities for loading double deck cars or were generally in disrepair or needed cleaning. At several points also complaint was made that there was no spur track to the loading pens or that it was not sufficiently long to accommodate the full number of cars shipped at a single time, thus requiring the pulling out of loaded cars and the placing of empties after the arrival of the train which was to pick up the shipment. This necessitates hasty loading and extra work, often at an in-

convenient hour, and it evidently interferes with the success of an association's work.

A considerable amount of improvement was effected along these lines during the closing months of 1920, but for bringing all these facilities up to a satisfactory standard and keeping them in good condition it would be necessary for some central agency of cooperative shippers to become a clearing house for the receiving and investigation of all complaints and the presenting of the matter in the most effective manner to the various railroad companies concerned. The same may be said about the matter of railroad schedules. It is quite obvious that the running time of stock trains and the hour at which a given junction point is reached can not be adjusted to the entire satisfaction of every shipping point along the line. On the other hand, many of the inconveniences complained of appear to be of a sort which could be adjusted if the matter were taken up thoroly and honestly by all roads concerned, working in conjunction with a single qualified representative of the cooperative shippers. This is one of the most promising fields of service for a state shipping association and will be referred to later in that connection.

UNSATISFACTORY TREATMENT FROM MARKETING AGENCIES

A good many associations have also felt that the treatment accorded them by various marketing agencies was not satisfactory. This applies to some extent to the various stockyards companies operating at the terminal markets. Such dissatisfaction does not apply to cooperative associations as distinct from other shippers, except in the case of scale facilities for the weighing of small lots bearing individual marks, a difficulty which has been to a considerable extent relieved thru the activities of the U. S. Bureau of Markets, whose special stockyard supervisor during the war period gave the matter some very effective attention.

The nature of the service which the cooperative association secures at the terminal market is, in the main, a question of the individual commission firm and of the livestock exchange into which they are organized. Many of the commission firms were unfriendly to the cooperative movement at its beginning but practically all of them now actively seek the business of these associations. Several of them have devised special accounting forms and have issued educational pamphlets for distribution among cooperative managers and officers and, in some cases, have even sent out men to assist in the formation of such associations.

In the face of all this, however, the cooperative shippers feel that the recent advance in commission rates, applying excess charges in the case of cars containing the stock of more than one

owner, is a blow aimed directly at the cooperative shipping movement. The efforts both of Mr. E. T. Meredith, former Secretary of Agriculture, to set aside these rates and of the American Society of Equity to have them over-ruled by the courts have thus far proved unavailing and the present sentiment runs strongly in favor of overcoming this difficulty by the institution of cooperative commission companies at all the principal terminal markets. The experience of the Farmers' Union Livestock Exchange in the Missouri river markets seems to show that the claim of the commission companies that the advance in rates was necessitated by the costs of handling the business, was not well founded.

The dissatisfaction of cooperative shippers with market arrangements is probably more acute, however, in the case of local markets than it is at the terminals. Aside from their dissatisfaction over the fact that local packers and re-load station managers refuse to buy stock on the basis of separate accounting for individually marked animals or small lots, referred to previously in this bulletin, many cooperative managers take exception to the practice of these plants in continuing to supply their needs thru private buyers instead of opening their market freely to these new comers in the field of livestock shipping.

So far as the writers have been able to discover, this situation is not due so much to any unfriendliness on the part of these packer buyers to cooperative shippers as such, as to the fact that they have already built up a series of commercial connections at different supply points with local buyers whose services have proved satisfactory to them in the past. It is not altogether unnatural that they should decline to sever these connections until such time as they can be quite definitely assured that these new shippers are in the field to stay and that in making connections with them they can establish permanent relations with thoroly business-like organizations which will give at least as good service in the future as they have been getting from private buyers in the past. Several private conversations and one or two official conferences on this subject make it reasonably clear that if the cooperative shippers succeed during the next year or two in putting themselves in a position to guarantee a large volume of stock handled thru a thoroly business-like and permanent organization, they will find little difficulty in securing satisfactory treatment in the local markets of this state and near-by points.

DIFFICULTIES WITHIN THE ASSOCIATION

Perhaps one of the most serious and at the same time insidious difficulties confronting the cooperative shippers is the tendency for their shipments to be miscellaneous, ungraded, and

frequently inferior in quality. There can be no doubt that many commission men and central market buyers incline to regard cooperative shipments in this light. If such a reputation should become fastened upon them it would be probably the most serious blow which could be dealt the cooperative movement. The germ of truth lying back of this idea is to be found in the fact that many so-called cooperative shippers are ready to ship their straight carloads of well-finished stock outside the association or, if smaller producers, will sell their best stuff to the local buyer, who offers an attractive price, leaving mostly odds and ends, miscellaneous and often poorer quality stock to make up the association's market offerings. This, coupled with the demand for special handling service, causes market buyers to dislike cooperative consignments, the joint result of these two causes being that prices are likely actually to average lower than those on local buyers' or carlot producers' shipments. The direct shipping farmer is quick to observe such differences in price if they exist and the private buyer very naturally is diligent in pointing them out and possibly even exaggerating them, thus discouraging farmers from shipping cooperatively.

The discussion of this matter leads inevitably into the third type of difficulties of cooperative shippers referred to above. This is the difficulty which they have encountered in securing a definite membership, loyal to their association, who could be depended upon to provide the association with a good volume of stock which will be delivered to the association in the best possible condition, strictly in accordance with the understanding made when the stock was listed. In the past, too many producers have wanted not to assume any responsibility for the association, but simply to take advantage of its facilities when dissatisfied with the service of the private buyers, but deserting their association, even after stock had been listed, as soon as any outsider came forward with an offer of an extra nickel. Likewise, they have insisted on their right to force upon the manager additional stock not previously listed, in case such a desire seized them when making up their load to haul to town. Not infrequently this has resulted in the manager crowding into a car more stock than it should contain, and some of the heaviest losses of the cooperative shippers have been due to just this condition.

Every association which expects to succeed should adopt a rule that after stock has been listed and called for by the manager, each member must pay any loss incurred as a result of shipping a car short weight owing to his failure to deliver stock as listed and also that no stock in addition to what he has listed with the manager will be accepted unless there happens to be space available without crowding the stock of other members.

Of course, this implies that the association shall have a definite membership, that it shall limit its dealings to such members, and that one of the conditions of admission to membership shall be an agreement to abide by rules of the sort indicated above, which shall be determined upon by the association in the best interest of all its members.

COMPETENT MANAGERS NOT EASY TO SECURE

The last of the four chief difficulties of cooperative shippers is by no means least, viz., the difficulty in securing and retaining really competent managers and getting the commercial practices of the association on a really satisfactory business basis. Table XI presents some information as to the training and experience of managers.

Iowa has a considerable number of experienced and thoroly competent shipping association managers, who are handling the business excellently. There is no intention in any way to disparage the value of their service, but at the same time any one who is acquainted with any considerable proportion of the total number of associations must realize that too large a number of them are in the hands of amateur managers who have assumed the position, in many cases against their own protest, not because they were especially qualified, but simply because there was no one else available to take charge of the work. In many

TABLE XI—EXPERIENCE OF MEN WHO MANAGE IOWA'S COOPERATIVE SHIPPING ASSOCIATIONS

Experience as shipper		Other business of manager	
Yrs.	No. reporting	Kind of business	No. reporting
None specified	202	Farmer	186
6 months or less	22	Elevator manager	33
6 months to one year	52	Store keeper	12
1-2	44	Postmaster	4
2-3	25	Auctioneer	3
3-4	14	Day laborer	3
4-5	16	Farmer and insurance	3
5-6	12	Lumber dealer	3
7	6	Produce company	3
8	5	Retired farmer	3
9	1	Banker	2
10	14	Creamery	2
12	9	Farmer and banker	2
13	2	Land dealer	2
14	2	Painter	2
15	6	Trucking	2
16	1	Creamery and farmer	1
19	1	Elevator and garage	1
20	11	Farmer, railway agent and banker.	1
21	1	Garage	1
25	4	Insurance	1
30	4	Mail carrier	1
35	2	Mason	1
		Meat market	1
		Oil station	1
		Postmaster and farmer	1
		Railway agent	1
		Road patrolman	1
		Secretary of telephone company	1

TABLE XII—ACQUAINTANCE OF MANAGERS WITH TERMINAL MARKETS

The replies of 428 managers to the question "How often do you visit your terminal market?" are classified as follows:

How often	No. reporting	How often	No. reporting
Every week	2	With every shipment	2
Every two weeks	7	With every car of cattle	1
Every month	25	With nearly every shipment	1
Every 6 weeks	1	With every shipment thru summer..	1
Every 2 months	13	"Frequently"	9
Every 3 months	22	"Several times a year"	1
Every 4 months	37	"When necessary"	11
Every 6 months	56	"Rarely"	12
Once in 8 months	1	Never	72
Once in 10 months	1	No reply	100
Once a year	52		
Once in 2 years	1		
		Total	428

cases they have had no previous experience in livestock shipping, have never visited the terminal markets to which they ship, either before or since assuming their duties, and often confess their inability to handle the clerical end of the work. The replies of 428 managers to the question "How often do you visit your terminal market?" are classified in table XII.

As a result of such amateur management the volume of business is not being systematically developed to a point where the proper handling becomes a matter of concern to whatever commission firm may receive the business, prorating is left entirely in the hands of the commission firms and errors in their work are not checked up, loss claims are not prepared and followed up in such a way as to secure a reasonable amount of collections, and no effective work can be done toward directing the livestock output of the community at the most favorable times toward the most advantageous market. Often, thru the improper loading of cars or careless handling, the actual losses and shrinks in transit are increased, whereas a marked saving in this regard should be one of the outstanding achievements of cooperative shipping.

This is a difficulty now attaching to the cooperative shipping movement which will be effectively removed only when organization has proceeded to the point where the various associations represent a volume of business large enough to pay a return to the manager which will attract and hold a trained and competent man. Doubtless there will be a considerable number of cases in which the shipping business could be handled satisfactorily as a side line, but in the majority of cases it is believed that it must constitute a manager's chief interest if it is to secure the right kind of attention. The small, purely local associations will ordinarily get only the minimum of service, while compelled to make the maximum charge. Some of the largest associations in the state are paying only about two cents a hundred for the services of the manager and yet because of the large volume of business are offering an adequate salary, whereas others paying

TABLE XIII—AVERAGE SHIPMENTS AND SHIPPING CHARGE CLASSIFIED BY SIZE GROUPS

Annual shipments	No. of associations	Total cars	Average volume	Shipping charge*
Below 50.....	120	3727	31	\$ 316
50-100	127	8771	69	704
100-200	84	10775	128	1306
200-300	9	2143	238	2428
Above 300	2	925	463	4723
Total	342	26341	77	\$ 785

*Computed on the basis of \$10.20 per car, i. e., six cents per hundredweight on a seventeen thousand pound car.

at least three times that amount are able to offer only a few hundred dollars and hence, in many cases (tho not all) are getting poorer service and are frequently subjected to heavy losses or unnecessary risks as a result of this casual and inexperienced type of management.

Table XIII classifies 342 associations according to size groups and shows the return which the manager would receive on the basis of a uniform six cent charge. It is evident that it is by no means necessary to pay a charge this large to secure really expert services from a manager who has been put in charge of a business which ships five or six hundred cars from a large shipping point or several such points within easy working distance of his headquarters.

Undoubtedly much could be done even under the present type of local independent organizations to improve the standard of management, institute better accounting and claim procedure and the like, as managers gradually acquired more experience in the business, and as conferences and training classes were organized to acquaint them with the most approved business methods. However, it would be a tremendous undertaking to train a staff of 650 (and as time went on still more) such local managers, with the frequent necessity of replacing men who had dropped out. If some practical method of consolidating the business in the hands of a considerably smaller number of full-time professional managers can be devised, it would seem certain to be the most effective means of extending progress toward this goal of efficient business management for the cooperative shipping business.

PROSPECTS FOR THE FUTURE OF COOPERATIVE LIVESTOCK SHIPPING

On the basis of what has been learned from a study of the cooperative livestock shipping associations as they have developed up to the end of the year 1920, it is perhaps possible to estimate to some extent the possibilities of their achievements in the future. Certainly this is a question in which everyone identified with the movement is deeply interested at the present time.

In brief, the evidence secured shows that the cooperative organizations had taken over more than one-fourth of the livestock shipping of the state and that on this business they were securing for their patrons a substantial annual saving. It appears further that a part of this development can hardly be regarded as permanently established yet and that the problem of securing an adequate management for the volume of business already undertaken is a serious one. To this should be added the fact that even where the cooperative method of handling livestock seems to have been put on a satisfactory basis so far as the local shipping point is concerned, its very growth has created certain problems at the terminal markets which must be solved with reasonable promptness or else the further growth of the movement will be checked, the savings effected at local points neutralized by disadvantages suffered at the terminals, and perhaps even an actual decline suffered by the cooperative associations.

Over against this there is, however, a most excellent prospect of carrying the movement thru from the accomplishing of the gains which it has already effected at many local points to the achievement of very much larger benefits in the more effective and economical distribution of a much larger fraction of the total livestock output of the state than is now handled. In fact, there seems to be no reason why a well organized and well managed state-wide cooperative agency should not handle a large majority of all livestock moving out of the state, if it could secure the support of those large producers or feeders who have a number of carloads each to ship¹. Such a development would require that the existing local independent associations should be welded together in some sort of a working organization which would have the state as its economic unit for the rendering of certain specialized overhead services and would group the actual business of shipping into local operating units of sufficient size to secure economy and efficiency and simplify relations with the central supervisory body.

THE BASIS OF EFFICIENT ORGANIZATION

To see how the matter stands it should be borne in mind that the work of livestock marketing embraces three tasks or functions, as follows:

- I. Assembling and loading of carlots of stock at country points.

¹It may be suggested that even the large feeder would derive an advantage from the shipping association, by being able to market his finished product in uniform bunches less than carlots, which would be combined with similar lots from other feeders to give him a more flexible method of marketing according to his own needs or the condition of the market.

II. Distribution of these to local and terminal markets.

- a. Physical handling of stock by railroads and stockyard companies.
- b. Commercial problems of choosing date of shipment and market destination.

III. Bargaining and actual sale of stock to users or to traders who ship from primary or terminal markets.

At the present time the local shipping associations are attempting to perform all three of these functions, whereas it is doubtful if in a well designed scheme of organization they could be reasonably expected to do more than the first one economically and efficiently. It seems obvious that a local organization is needed for grouping producers together for the maintenance of a shipping service thru which carlots of stock can be assembled and dispatched to market. The area embraced should be small enough so that there may be easy telephone communication and a helpful personal acquaintance between manager and members, but must not be so narrowly localized that the volume of business is too small for economical business organization. Roughly it seems that the shipping point which can command only 40, 50 or 60 cars a year can hardly hope to meet the requirements for a truly efficient, economical, and permanent local organization. And yet at present some 35 percent of Iowa's associations have less than 50 cars a year and 72 percent have less than 100, the average being 76.9.

THE MINIMUM AMOUNT OF BUSINESS NECESSARY

Various standards have been suggested as to the number of members or volume of business which should be regarded as prerequisites to success. Numerous persons have set 100 cars annually as the minimum necessary for a successful association under average conditions. We would suggest an annual volume of from 500 to 1,000 cars as the *ideal* which should be aimed at by the local shipping associations. This would put the headquarters of a community association at every good sized shipping town and would mean that the typical association of this sort would also ship generally from one or two and sometimes as many as five or six subordinate shipping points, some of which could be handled by the manager from headquarters and others of which would doubtless require a local assistant manager or someone employed on a per day or per car basis to supervise the handling of stock on shipping days.

There is considerable talk today about county associations. This would doubtless prove a convenient unit in some cases. Other states, notably Illinois and Ohio, have developed several organizations of this sort which seem to be accomplishing excellent results. In Iowa there is a county association, so-called, in

Lucas county. But it is chiefly a name under which five essentially independent locals do their own shipping. It seems to the writers somewhat doubtful whether the county would prove to be a feasible unit of primary organization in Iowa, where local associations have already secured in many places a well rooted existence and personal following. It seems probable both that a county area is too large in most if not all cases and that its geographical boundaries, being established for political purposes, would often be quite unsuited to the needs of a commercial organization. The good-sized community organization seems to us most practicable, if supported by a federated state service and distributive organization. It is quite possible also that an intermediate district organization might in time prove a helpful addition to the system. Whatever structure shall establish itself permanently must grow up naturally from local interest and adapt itself to a variety of local needs and peculiarities. No cut and dried scheme of organization can be introduced from outside.

DEVELOP COMMUNITY ORGANIZATIONS

If it be accepted as desirable that every shipper in the state should have cooperative shipping service available as an alternative to selling to the private local buyer, this would probably mean doubling the present number of local associations or at least the increase of their number up to 1,000 if each point is to have its own association. Such a result would seem to the writers of this bulletin most unfortunate. We believe that the interests of economy and efficiency will be best served by reduction in numbers of independent local associations thru the growth of community organizations such as have already developed in several sections, until the business is handled by perhaps three or four or at most five hundred permanent and well managed group or community organizations, with branches at every considerable shipping point.

Such associations should have a definite membership with a small annual fee and should handle shipments for members only. They should incorporate under the new non-stock, non-profit cooperative law and should make regular contracts for the handling of all the member's market stock, as is permitted under this law. Systematic and competent business management will then become possible and purely local problems can be effectively dealt with.

OVERHEAD SERVICE

However, many of the problems which confront even the local association are by no means local in their character. Such, for example are the questions of losses and claim collection; terminal market charges and service; railroad facilities, service and

rates, and the possibility of collective bargaining at local plants and the stabilization of central market receipts and prices. For meeting these needs a large overhead unit is necessary and the State Federation of Cooperative Livestock Shippers has already been organized with just such ends in view.

This organization was formed in March, 1920, and on December 10, 1920, got actively on its feet by an arrangement under which the Iowa Farm Bureau Federation underwrites its work by lending it both its moral support and the funds necessary to enable it to develop the lines of service needed by the local associations. Eventually the Federation of Cooperative Livestock Shippers expects to finance itself thru a membership fee of \$10 for each local which joins the state body and a service fee of fifty cents per car for the maintenance of its work.

It has been endorsed as cordially by the state officers of the Farmers' Union and the Equity Society as by the Farm Bureau Federation. The cooperation of all these agencies is needed if the Federation of Cooperative Livestock Shippers is to develop its full strength and service as a commodity organization, representing the livestock industry of the state. Some of the strongest shipping associations in the state are Equity organizations, particularly in northeast Iowa, or Farmers' Union associations, chiefly in the southern part of the state. In asking under what auspices the various associations were organized we secured the following classification:

Farm Bureau	169
Farmers' Union	51
Equity	57
Local	89
State Association	2

At the time of making our survey, 64 associations indicated that they had joined the state federation. Only 55 were reported as paid-up members at the time of the annual meeting in December, 1920, but this may be expected to increase rapidly now that a full-time secretary has been employed.

FUNCTIONS OF A STATE ASSOCIATION

It is to be expected that the state organization will assist materially in these respects:

(1) Working out local groupings by which efficient and economical cooperative shipping service shall become generally available.¹

¹The state association, under able and tactful management, should be of great service in this regard. It can study a territory from a broader viewpoint than can local interests and should be able to add valuable business to the associations already established and also bring an organized shipping service within reach of places which would not be able to put it successfully in operation for themselves. The greatest difficulty will be in harmonizing the local rivalries and overblown independence of nearby towns of about equal size, both of which are already organized, and both of which think they can go it alone, whereas both lack a little of being economical and efficient units. Such individualism or localism is one of the greatest dangers to the cooperative movement.

(2) Standardizing business methods and improving the system of keeping records and accounts, and the presenting of claims.

(3) Standardizing methods of handling stock from farm to shipping point and of bedding, loading, etc., so that losses and shrink are reduced to a minimum.

(4) Furnishing a reasonable and efficient claim collecting agency, which could be self-supporting and yet serve the producer very economically.

(5) Securing the repair, enlargement, or installation of yards, spur tracks and loading facilities and the improvement of train schedules.

(6) Finding and training managers and assisting them to progress from the less important to the more important positions as they prove their fitness.

(7) Furnishing market and shipping information for the guidance of both producers and managers, maintaining a special bureau of commercial research for the purpose.

(8) Investigating any charges of unfair or discriminating practices at local or terminal market, and representing their members in constant efforts to improve market conditions, secure the best possible prices, and the lowest possible marketing costs.

It is clear that in dealing with large business organizations like the railroads, the stockyards, the packers, or the livestock exchanges, the small local associations can have little influence and cannot afford to undertake any considerable effort. But a state association representing a volume of cooperative shipping business of 50,000 cars today and in due time perhaps twice that amount commands respect and can afford to make the effort necessary to secure the adjustment of all real abuses.

Eventually such an association might decide that it was desirable for it to undertake either or both of the other market functions discussed above (IIa and III). It might take over the task of supervising the equalization of shipments between the different markets and, so far as the nature of the product permits, the equalization of shipments in time. Such a move would be analagous to the service performed by a large federated cooperative association such as the California Fruit Growers' Exchange. Likewise they might attempt to sell their own product either in the central markets or at suitable points within the state. How far such developments could profitably be carried would have to be determined only after the steps have been taken which lead up to that point. We are a long distance from it yet and it is unnecessary now to speculate very much on the remoter problems which cannot be effectively tackled until we have our local associations within the state on a permanent basis of skilled business management under the unifying influence of a well organized state service organization.

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